



## Press Release

### Dr. Kamakshi Memorial Hospital Private Limited (KMHPL)

January 31, 2024

#### Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	104.11	IVR BBB/ Stable (IVR Triple B with Stable outlook)	Reaffirmed	Simple
<b>Total</b>	<b>104.11</b>	<b>(Rupees One Hundred Four crore and Eleven lakh only)</b>		

Details of Facilities are in Annexure 1

#### Detailed Rationale

The reaffirmation of the ratings of the bank facilities of KMHPL continue to derive strength from improvement in scale of operations through completion of capex, corporate tie-ups with reputed clientele, comfortable capital structure and experienced board of directors . The ratings strengths are, however, constrained by moderate financial risk profile, intense competition coupled with geographical concentration and impact of regulatory restrictions on revenues.

#### Key Rating Sensitivities:

##### Upward Factors

- Consistent growth in its scale of operations above Rs. 250.00 crore along with improvement in EBITDA margin to over 25% on a sustained basis
- Improvement in credit profile with overall gearing falling below 1.01x on a sustained basis.

##### Downward Factors

- Any decline in revenue and EBITDA margin and/ or debt funded capex leading to deterioration in debt protection metrics.



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### **Moderate Profitability and expected revenue growth**

KMHPL's revenue remained flat in FY23 and at Rs.174.41 crore (FY22: Rs.172.8 crore) as occupancy levels has started improving from 2HFY24; and with inability to absorb fixed cost during 1HFY23 due to lower occupancy levels EBITDA margins have declined to 19.79% in FY23 as compared to 25.26% in FY22. EBITDA margins were higher during FY21 and FY22 due to higher occupancy levels being COVID times.

However, with improved occupancy levels and increase in revenue per bed, KMHPL achieved revenue of Rs. 151.78 crore in 9MFY24, EBITDA margins have also improved to 20.35% with better operating leverage. Infomerics expects KMHPL revenue is expected to improve further during FY25 and FY26 with higher revenue per bed and with additions of beds.

##### **Y-o-Y addition of bed capacity**

KMHPL has been adding bed capacity on y-o-y basis, KMHPL has taken total bed capacity to 320 beds by end of FY23 from 150 beds in FY16. Further during FY24 KMHPL is in the process of adding 80 new beds which is expected to get operational by end of FY24, this will take total bed capacity to 400 beds by end of FY24. During FY24, KMHPL has spent Rs.25 crore on addition of bed funded through debt (80%) and balance through equity.

##### **Corporate tie-ups with reputed clientele**

KMHPL is empaneled with renowned Corporate and Government organizations like Airport Authority of India (AAI), Food Corporation of India (FCI), Bharat Heavy Electricals Limited (BHEL), Reserve Bank of India (RBI), ONGC Limited, State Bank of India, Reliance Industries Ltd. and Hero Moto Corp., etc. for providing health care services to their employees. Besides, it has tie-ups with leading insurance companies and third-party administrators like Employees' State Insurance Corporation. Moreover, the hospital is empaneled in various central and state government schemes. These empanelment and tie-ups facilitate the hospital in attracting patients as patients mostly prefer facilities like cash less treatment and ease in claim settlement through insurance companies, which in turn leads to higher occupancy rate.

##### **Comfortable capital structure**

KMHPL's capital structure slightly increased though remain comfortable at the end of FY23 with overall gearing and TOL/TNW ratios at 1.35x and 1.84x respectively, as compared to 1.25x and 1.74x respectively at the end of FY22 due to additions of debt on account of capex..



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However, KMHPL's interest coverage ratio remained stable at 3.24x in FY23 as against 3.21x due to stable interest cost.

### **Experienced Board of Directors**

KMHPL was founded in the year 2004 spearheaded by Dr. T.G. Govindarajan who is presently the Chairman and MD of the company; he has over 43 years of experience in field of medicine. He is accompanied by his eldest daughter, Dr. T.G. Sivaranjani who possess over 19 years of experience and specializes in the field of Gynaecology, Laparoscopic surgery and Infertility.

### **Key Rating Weaknesses**

#### **Intense competition coupled with geographical concentration**

KMHPL's hospitals are exposed to competition from other hospital chains as Chennai boasts of having hospitals with the best-in-class doctors, state-of-the-art facilities and globally renowned brand names such as Apollo Hospitals and Fortis Hospital, to name among a few. The competition also affects the pricing flexibility of the hospital. The company operates its facilities in its two operational facilities in Chennai (the multi-specialty hospital located in Pallikaranai and their clinic located in Medavakkam), this geographic concentration has exposed the company to increased impact of regional regulations.

#### **Impact of regulatory restrictions on revenues**

The pricing of multiple medical inputs is controlled by government regulatory agencies, more specifically by NPPA (National Pharmaceutical Pricing Authority) in India with the motive of bringing transparency and rationale in the billing process and to maintain a viable ceiling on the prices of medical inputs. The hospitals are also mandated to treat certain patients belonging to the economically weaker section of the society at a subsidized cost. This poses a huge financial burden on the hospitals, due to the rising equipment and operating costs and in some cases, it is even difficult for the hospitals to identify if the beneficiary of any subsidized scheme is bona fide or not, which inadvertently affects their top-line. Additionally, the National Accreditation Board for Hospitals and Healthcare providers, under the purview of the Ministry of Commerce (under GoI) provides guidelines for running hospitals emphasizing on protocols and internal control mechanisms.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Criteria of Rating Outlook](#)



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[Rating Methodology for Service Sector Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

### **Liquidity – Adequate**

KMHPL's liquidity position of the company remains adequate as cash accruals are expected to match with debt repayment obligations. KMHPL does not have any working capital limits. Further, KMHPL's current ratio and quick ratio has improved to 2.04x and 1.98x respectively in FY23 as compared to 1.71x and 1.65x respectively in FY22.

### **About the Company**

Dr. Kamakshi Memorial Hospital Private Limited was established in 2004 by Dr. T. G. Govindarajan. KMHPL is a 285-bed multi-specialty hospital at Pallikaranai (Chennai) offers a range of healthcare facilities in the fields of cardiology, oncology, pediatrics among others. About 50 percent of revenue is being generated from institutional clients including Airport Authority.

### **Financials (Standalone):**

(Rs. crore)

For the year ended / As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	172.82	174.41
EBITDA	43.65	34.51
PAT	9.10	6.44
Total Debt	103.59	121.15
Tangible Net-Worth	83.08	89.52
<b>Ratios</b>		
EBITDA Margin (%)	25.26	19.79
PAT Margin (%)	5.21	3.65
Overall Gearing Ratio (x)	1.25	1.35

\* Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA: Nil**

**Any other information: Nil**

**Rating History for last three years:**



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22 (June 2, 2021)	Date(s) & Rating(s) assigned in 2020-21 (March 6, 2020)
1.	Long Term Bank Facility - Term Loan	Long Term	104.11	IVR BBB/ Stable	(August 30, 2022) IVR BBB-/ Positive (November 18, 2022) IVR BBB/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable

### Name and Contact Details of the Analytical Team:

Name: Amey Joshi

Tel: (022) 62396023

Email: [amey.joshi@infomerics.com](mailto:amey.joshi@infomerics.com)

### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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### Annexure 1: Details of Facilities



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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	--	--	September, 2026	10.59	IVR BBB/ Stable
Term Loan	--	--	May, 2034	6.77	IVR BBB/ Stable
Term Loan	--	--	April, 2026	0.47	IVR BBB/ Stable
Term Loan	--	--	February, 2025	0.39	IVR BBB/ Stable
Term Loan	--	--	September, 2024	0.04	IVR BBB/ Stable
Term Loan	--	--	March, 2025	0.18	IVR BBB/ Stable
Term Loan	--	--	July, 2025	0.05	IVR BBB/ Stable
Term Loan	--	--	August, 2025	0.06	IVR BBB/ Stable
Term Loan	--	--	September, 2025	0.24	IVR BBB/ Stable
Term Loan	--	--	August, 2024	0.03	IVR BBB/ Stable
Term Loan	--	--	July, 2024	0.02	IVR BBB/ Stable
Term Loan	--	--	March, 2027	1.23	IVR BBB/ Stable
Term Loan	--	--	September, 2033	84.03	IVR BBB/ Stable

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable.**

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/len-kamakshi-jan24.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).